

OFFICE OF THRIFT SUPERVISION

APPROVAL OF AN APPLICATION TO FORM TWO OPERATING SUBSIDIARIES

Order No.: 2001-71
Date: November 19, 2001
Docket No.: 04410

Sovereign Bank, Wyomissing, Pennsylvania (the Bank), has applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1828(m) and 12 C.F.R. Part 559, requesting approval to establish a first-tier operating subsidiary, Sovereign Auto Finance 2001-A LLC (Seller), and a second-tier operating subsidiary, Sovereign Auto 2001-A LLC (Issuer) (collectively, the Operating Subsidiaries). Both Seller and Issuer will be Delaware limited liability corporations and will be wholly owned, directly or indirectly, by the Bank. The Operating Subsidiaries are being established to facilitate a securitization of automobile loans presently held by the Bank. In addition, the Bank has requested that OTS waive 12 C.F.R. § 559.12(a) to the extent necessary to enable the revolving period on certain notes issued by the Issuer (Issuer Notes) to cease under certain circumstances.

OTS has considered the application under the factors set forth in 12 U.S.C. 1828(m) and 12 C.F.R. Part 559. In addition, OTS has considered a digest by the OTS Northeast Regional Office (the Regional Office), an analysis by Examination Policy, and a legal opinion issued by the Business Transactions Division (collectively, the Staff Memoranda). For the reasons set forth in the Staff Memoranda, OTS has determined that the application satisfies all applicable approval standards and criteria, with the exception of 12 C.F.R. § 559.12(a), provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee (Regional Director). Pursuant to 12 C.F.R. § 500.30(a), OTS hereby waives the applicability of 12 C.F.R. § 559.12(a), to the extent necessary to enable the Issuer to include the proposed provision in the Notes. Accordingly, the application is hereby approved, subject to the following conditions:

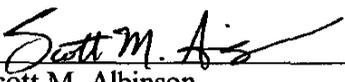
1. The Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals supplied to the Regional Office;
2. The proposed transaction must be consummated within six months of the date of this approval order;
3. On the business day prior to the date of consummation of the proposed transaction, the Bank must submit to OTS copies of the executed tax opinions by Shearman & Sterling and Ernst & Young, the executed memorandum by Shearman & Sterling setting forth the basis for its tax opinion, and the executed opinion by Shearman & Sterling addressing IRS penalties, substantially in the form of the most recent drafts of such documents submitted to OTS;

4. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of Sovereign Bancorp, Inc. (the Holding Company), the Bank, and the Operating Subsidiaries must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Holding Company, the Bank and the Operating Subsidiaries as disclosed in the application, including but not limited to directors, shareholders, or the business plan. If additional information having a material adverse bearing on any feature of the application is brought to the attention of the Holding Company, the Bank, the Operating Subsidiaries, or the OTS since the date of the financial statements submitted with the application, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
5. On the business day prior to the consummation of the proposed transaction, legal counsel must submit a certification to the Regional Office discussing any material changes in the transaction documents since November 1, 2001;
6. No later than five calendar days from the date of consummation of the transactions, the Bank must file with the Regional Director a certification by legal counsel stating the effective date of the transactions, and that the transactions have been consummated in accordance with the provisions of all applicable laws and regulations, the Application, all commitments provided in the application, and this Order;
7. The Operating Subsidiaries must not materially deviate from any of the activities, facts or representations described in the application, except with the prior written non-objection of the Regional Director;
8. The Bank must maintain copies of the books and records of Capital Street L.P. and Capital Street S.A. at the Bank's main office in Wyomissing, Pennsylvania, and such books and records shall be in English; and

9. Within 30 calendar days following consummation of the transactions, the Bank must submit all executed transaction documents blacklined to show the changes from the drafts submitted prior to November 1, 2001.

Any time period set forth herein may be extended for up to 120 calendar days, for good cause, by the Regional Director.

By order of the Director of the Office of Thrift Supervision, or her designee, effective November 19, 2001.



Scott M. Albinson
Managing Director
Office of Supervision